

Message Text

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ACTION ARA-10

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E.O. 11652: N/A

TAGS: ELAB, EGEN, ECOM, AR

SUBJECT: ECONOMY MINISTER CAFIERO ANNOUNCES NEW WAGE INCREASES

REF: BUENOS AIRES 7281

SUMMARY: IN 45-MINUTE TV ADDRESS OCTOBER 4, MINISTER CAFIERO ANNOUNCED NEW WAGE INCREASE OF 1,500 PESOS PER MONTH EFFECTIVE NOVEMBER 1. INCREASE IS 45 PERCENT HIKE OVER CURRENT MINIMUM MONTHLY SALARY OF 3,300 PESOS AND 19 PERCENT INCREASE OVER AVERAGE SALARY OF ABOUT 7,800 PESOS PER MONTH. DURING SPEECH, MINISTER CAFIERO ALSO REVIEWED ECONOMIC SITUATION WHICH HE SAID WAS SERIOUS BUT MOVING IN RIGHT DIRECTION. END SUMMARY.

1. REVIEW OF DEVELOPMENTS: CAFIERO RECALLED SITUATION FACING COUNTRY IN AUGUST WHEN HE BECAME MINISTER INCLUDING THREAT OF MASS UNEMPLOYMENT, GALLOPING INFLATION ACCOMPANIED BY ACUTE LIQUIDITY SHORTAGE AND VIRTUAL EXTERNAL PAYMENTS MORATORIUM. HE SAID CONSIDERABLE PROGRESS ACHIEVED SINCE THEN. EXPORTS NOW ADEQUATELY PROMOTED. UNEMPLOYMENT NOT ELIMINATED BUT DOWNWARD TREND DETAINED AND INDICATORS SHOW INCREASING LABOR DEMAND. HOWEVER, MINISTER ADMITTED RECOVERY PROCESS SLOWER THAN INITIALLY ANTICIPATED.

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2. AGRICULTURE: MINISTER CAFIERO SAID HE PLEASED WITH SUPPORT OF AGRICULTURAL SECTOR. WHEAT CROP OF 8 MILLION TONS FOR 1975/76 WOULD BE LARGEST IN LAST TEN YEARS. SOWINGS OF CORN, SORGHUM AND SOYBEANS ALL LARGER THAN YEAR AGO. MINISTER WAS TOUGHER ON CATTLE PRODUCERS WHO REMAIN ON STRIKE, HOWEVER, SAYING GOVERNMENT WOULD NOT BE PRESSURED. HE EMPHASIZED GOA PLANNED IMPLEMENT REALISTIC POLICY FOR CATTLE SECTOR AND THAT MEAT PROBLEMS WERE WORLDWIDE--NOT JUST LOCAL.

3. PRICES: MINISTER CAFIERO RECOGNIZED PRICE INCREASES STILL HIGH, BUT HE THOUGHT TREND NOW SHIFTING IN RIGHT DIRECTION. COL INCREASED 20 PERCENT IN AUGUST AND 10 PERCENT IN SEPTEMBER. OCTOBER INCREASE WAS 13.6 PERCENT, BUT SPECIAL FACTORS INVOLVED INCLUDING HIGHER MEAT PRICES DUE CATTLE STRIKE, FREEZE ADVERSELY AFFECTING FRUIT PRODUCTION AND PRICE INCREASE FOR SUMMER CLOTHING.

4. SALARIES: MOVING TO HEART OF SPEECH, MINISTER CAFIERO ANNOUNCED 1,500 PESO SALARY INCREASE PER MONTH EFFECTIVE NOVEMBER 1. INCREASE IS 19 PERCENT ABOVE AVERAGE SALARY OF 7,800 PESOS PERMONTH, AND ABOUT 45 PERCENT OVER CURRENT MINIMAL SALARY OF 3,300 PESOS PERMONTH. MINIMUM SALARY WILL INCREASE TO 4,800 PERMONTH WITH CREATION NEW INSTITUTE FOR SALARIES, PRODUCTIVITY AND PARTICIPATION. WAGE INCREASE WILL COVER NOVEMBER AND DECEMBER AND NEW INSTITUTE WILL EXAMINE SITUATION JANUARY TO DETERMINE IF FURTHER INCREASES REQUIRED. PUBLIC SECTOR WILL RECEIVE MORE RAPID PAYMENT OF STILL UNPAID PORTION OF JUNE INCREASE BUT WILL NOT RECEIVE BENEFITS OF THIS INCREASE. HOWEVER, PUBLIC SECTOR IS TO BENEFIT FROM SALARY ADJUSTMENTS EFFECTIVE JANUARY 1.

5. FUTURE PROGRESS: AFTER PROVIDING LENGTHY RESUME OF SOCIAL PHILOSOPHY OF JUSTICIALISTA MOVEMENT, CAFIERO TURNED TO CHALLENGES AT HAND. HE SAID MINORITY SECTORS WOULD ALWAYS ASK FOR MORE THAN GOVERNMENT COULD RESPONSIBLY OFFER. HE EMPHASIZED PERONISTS WHO ALLOW THEMSELVES TO BE TEMPTED BY PROPOSALS OF "INFANTILE REVOLUTIONARIES" ARE DESERTERS TO CAUSE. LOOKING AHEAD, CAFIERO OPTIMISTIC REGARDING ECONOMIC PROSPECTS. HE CITED EXPANSION OF STEEL AND PETROCHEMICAL FACILITIES, PAPER AND CELLULOSE PRODUCTION, AND SAID NEW DECREE TO ACTIVATE SODA SOLVAY PLANT WILL BE SIGNED THIS WEEK. HE ALSO EMPHASIZED GRAIN ZILO CON-LIMITED OFFICIAL USE

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STRUCTION, SAYING GOA HAD PLANS TO INCREASE PRESENT 12 MILLION TON CAPACITY BY 2 MILLION TONS DURING NEXT 18 MONTHS. PROSPECTS FOR MEAT EXPORTS TO EC BETTER THAN THREE MONTHS AGO, HE SAID. SEPTEMBER AND OCTOBER BANKRUPTCY FIGURE LOWEST IN RECENT YEARS. IN FINAL EXHORTATION, HE CALLED FOR SUPPORT OF ALL SECTORS SAYING PRESENT SITUATION REQUIRED CONFIDENCE, FIRMNESS, RESPONSIBILITY AND CALM.

6. COMMENT: WORKERS NOT LIKELY TO BE SATISFIED WITH THIS
WAGE INCREASE, WHICH THEY REGARD AS TOO LITTLE TOO LATE.
WITH CGE OPPOSING ANY WAGE INCREASE NOW, SOCIAL PACT APPEARS
BATTERED BEFORE EVEN GETTING OFF GROUND. THERE IS WIDESPREAD
OPINION MINSTER CAFIERO WILL SOON JOIN GROWING LIST OF
ECONOMIC MINISTERS WHO HAVE FOUNDERED ON ROCKS OF SALARY
ISSUE. WHILE THIS VIEW SOMEWHAT PREMATURE, LABOR SITUATION
NOW BECOMING INCREASINGLY CHAOTIC.
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